

# Creating Your Financial Future

A Financial "Tip" Sheet

2000-7

## **Stop the Leaking!!**

You've probably heard the old saying that a small leak can sink a great ship. The use of credit is so commonplace in our society that few of us have stopped to assess the leaks And the damage we are doing to our own ship. Here is an ides worth considering:

#1: Beware of the high price of credit.  
The truth-in-lending statement you receive on a loan is just part of the story.

Example: A young couple with a 2-year old car decides to purchase a new car. They buy a \$15,000 car; financing \$12,000 for 60 months:

### Truth-in-Lending Statement

Principal Financed	\$12,000
No. of Payments	60
Monthly Payment	\$ 267
Total Payments (60x\$267)	\$16,000
Minus Principal	<u>\$12,000</u>

**Total Interest Paid**                      **\$ 4,000**

**Total Price of Car** (\$15,000 = \$4000 = \$19,000)

If they had waited 5 years and saved the \$267 payment in an interested bearing account earning 9% interest compounded monthly they would accumulate \$20,130 in 60 months. They could pay cash for their new car and still have money!

" The cost of a thing is the amount of what I call life which is required to be exchanged for it, immediately and in the long run."

**Henry David Thoreau**

## **Are You A Spendthrift?**

1. Do you hide bills from your spouse or partner?
2. Do you sneak purchases into the house so your partner—or parent—doesn't see them?
3. Do you shop to cheer yourself up when you've had a problem with work, school, your boss, your parent, your partner?
4. Do you shop when you're angry? When you're hurt? As a way to get even? To celebrate?
5. Does shopping make you feel exhilarated, high, excited?
6. Do you love the process of shopping, of selecting purchases, chatting with salesperson, pulling out your charge card, only to crash and feel let down when you get home?
7. Do you buy things you don't need or can't afford just because they're on sale?
8. Do you have unused items stored in your closets?
9. Do you ever buy things solely in response to advertising or because peers or siblings have them?
10. Are you embarrassed to tell someone how much you owe?

Don't feel guilty if you answered "yes" to several of these questions. Few people shop today solely because they need something. Shopping has become an activity.

If you answered yes to five or more questions you need to take a careful look at yourself. There may be another issue in your life you need to deal with.

Source: moneycentral.msn.com

Tahira K. Hira, Iowa State University